

OFFICE OF AUDITS & ADVISORY SERVICES



HHSA EAST AND NORTH CENTRAL REGIONS OFFICERS' TRANSITION AUDIT

FINAL REPORT

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County of San Diego

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HUMAN RESOURCES
RETIREMENT ASSOCIATION
TREASURER-TAX COLLECTOR

October 10, 2013

TO: Marie Brown-Mercadel, Deputy Director
HHSA – East & North Central Regions

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: HHSA – EAST & NORTH CENTRAL REGIONS OFFICERS' TRANSITION AUDIT

Enclosed is our report on the HHSA – East & North Central Regions Officers' Transition Audit (Smith to Brown-Mercadel). We have reviewed your response to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Joseph Kelly at (858) 495-5655.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:JK:aps

Enclosure

c: Nick N. Macchione, Director, Health & Human Services Agency
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Andrew Pease, Executive Finance Director, Health & Human Services Agency

INTRODUCTION

Audit Objective	The Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Health and Human Services Agency East and North Central Regions (E/NC Regions). The objective of the audit was to determine if there is reasonable assurance that the outgoing officer, Pamela Smith, and incoming officer, Marie Brown-Mercadel, took appropriate actions and filed required reports as of May 31, 2013 in compliance with California Codes, County regulatory requirements, and County policies and procedures. These requirements were explained in the instruction letter provided to each officer.
Background	The County Charter requires that the OAAS conduct such an audit when County officers leave or assume office to determine if certain affidavits, authorizations, disclosures, and reports are properly completed and processed. These actions provide for an orderly transition of officers, establish proper accountability for public assets and promote the County's General Management System (GMS), including its key disciplines of accountability, transparency and ethical conduct; fiscal stability; and continuous improvement and innovation.
Audit Scope & Limitations	<p>The reports are the responsibility of the officer who signs them. The OAAS' responsibility is to provide an opinion on the reports based upon the audit.</p> <p>This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.</p>
Methodology	OAAS reviewed all the reports filed by the outgoing and incoming officers, obtained supporting documentation, and performed limited internal control testing.

AUDIT RESULTS

Summary	In our opinion, there is reasonable assurance that the outgoing and incoming officers took appropriate actions and filed required reports in compliance with California Codes, County regulatory requirements, and County policies and procedures in connection with an officer's transition. However, we noted the following exception:
Finding I:	<p>Internal Controls Over Minor Equipment Need Enhancement</p> <p>The OAAS identified the following internal controls issues related to the administration of minor equipment:</p> <ul style="list-style-type: none">• The minor equipment list does not include sufficient information to identify and easily track assets. As a result, staff was unable to provide adequate documentation to demonstrate the transfer of two scanners to another location.

- A metal detector with a value of \$6,718 was included in the minor equipment list and also in the Oracle Fixed Asset Module, resulting in the duplicate recording of the asset.
- The value recorded for a cabinet was incorrectly recorded as \$3,000, overstating the associated value by \$1,000.
- Nine assets did not have "County of San Diego" property decals. Property decals were added to two of the assets during audit fieldwork.

According to the E/NC Regions, some of the errors noted were due to unintentional mistakes by staff. As a result, the balance reported in the minor equipment inventory certificate is overstated by \$7,718.

The County Administrative Manual Item No. 0050-02-01, Section I(H), states that unit costs between \$500 and \$4,999 should be classified as minor equipment. In addition, Section I(I), states that department heads are required to maintain listings of minor equipment items for which they are responsible, adding new items as they are received, and deleting items that are disposed of or no longer in use. The list should identify the quantity and nature of the minor equipment items, their location and assigned value.

Recommendation:

1. Strengthen inventory control procedures to ensure minor equipment is recorded and reported in compliance with the County Administrative Manual. At a minimum, continue to provide training for staff to ensure that:
 - Sufficient information is maintained in the minor equipment list to allow asset tracking.
 - Acquisition, disposition, and transfer of assets are timely recorded in the minor equipment list.
 - Classification of assets is based on thresholds described in the County Administrative Manual Item No. 0050-02-01.
 - "County of San Diego" decals are affixed to all minor equipment assets.
2. Make the necessary corrections to the minor equipment inventory list to accurately reflect the minor equipment balance.

Office of Audits & Advisory Services

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DEPARTMENT'S RESPONSE



County of San Diego

NICK MACCHIONE, FACHE
DIRECTOR

MARIE BROWN-MERCADEL
DEPUTY DIRECTOR

HEALTH AND HUMAN SERVICES AGENCY
EAST & NORTH CENTRAL REGIONS
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EAST & N CENTRAL REGIONS ADMINISTRATION
EAST REGION PUBLIC HEALTH CENTER
EL CAJON FAMILY RESOURCE CENTER
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HEALTH COVERAGE ACCESS

October 4, 2013

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OCT 08 2013

TO: Juan R. Perez
Chief of Audits

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: Marie Brown-Mercadel, Deputy Director
HHSA, East and North Central Regions

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: HHSA – EAST AND NORTH CENTRAL REGIONS OFFICERS' TRANSITION AUDIT (Smith to Brown-Mercadel)

OAAS Recommendation:

1. Strengthen inventory control procedures to ensure minor equipment is recorded and reported in compliance with the County Administrative Manual. At a minimum, continue to provide training for staff to ensure that:
 - Sufficient information is maintained in the minor equipment list to allow asset tracking.
 - Acquisition, disposition and transfer of assets are timely recorded in the minor equipment list.
 - Classification of assets is based on thresholds described in the County Administrative Manual Item No. 0050-02-01.
 - "County of San Diego" decals are affixed to all minor equipment assets.
2. Make the necessary corrections to the minor equipment inventory list to accurately reflect the minor equipment balance.

Action Plan:

1. We are in agreement with recommendation. Inventory Control procedures have been strengthened:
 - a. Newly revised HHSA Policy No. FSSD-S-07, "Capital Assets and Minor Equipment" shared with staff responsible for inventory August 23, 2013. Reminders will be issued periodically.

Juan R. Perez
October 3, 2013
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- b. During upcoming inventory cycle staff responsible for inventorying will:
 - Attend the Capital Asset and Minor Equipment Inventory scheduled for October 25, 2013.
 - Additional information will be collected during the next inventory cycle identifying location/model/serial number of minor equipment and fixed assets.
 - The inventory form utilized will be an Excel (rather than Word) format allowing for automated computations.
2. We are in agreement with recommendation. Corrections to minor equipment inventory were submitted on August 8, 2013, please see copies attached.

Marie Brown-Mercadel for
MARIE BROWN-MERCADEL
Deputy Director
East and North Central Regions

MBM:kjt
Attachments

- c: Nick N. Macchione, Director, Health & Human Services Agency
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Andrew Pease, Executive Finance Director, Health & Human Services Agency